



OCC ADVISORY LETTER

Comptroller of the Currency
Administrator of National Banks

Subject: Year 2000 Issues and Examination Approach

TO: Chief Executive Officers of all National Banks, Department and Division Heads, and all Examining Personnel

This advisory is to alert bankers and examiners to the recent FFIEC Interagency Statement and examiner guidance outlining broad measures banks need to take to operate efficient computer systems beyond the Year 2000. Also attached to the FFIEC statement is a questionnaire for examiners to assess the industry's current state of readiness to meet Year 2000 goals.

The maintenance of safe and sound banking practices requires that institutions take appropriate steps to address Year 2000 issues. These guidelines are intended to provide a description of appropriate and prudential practices that should be considered as an institution develops and implements its Year 2000 conversion program.

The OCC's review of Year 2000 preparations will take into account the effect connections to outside systems will have on the bank. This includes vendors and service providers as well as clearing houses, governmental entities, customers, and other financial institutions. It also will cover environmental systems that use microchips, such as security systems, elevators, and vaults. In addition, the OCC will consider bank lending practices to ensure that they are evaluating the effect that Year 2000 compliance may have on creditworthiness.

Once the OCC's initial industry assessment is completed sometime this summer, the OCC will prioritize examinations according to each bank's state of readiness, and work with institutions that are having trouble. Examinations of all national banks will be completed by mid-1998, and follow-up visits will be scheduled where necessary. The OCC wants to see that banks can complete programming changes for mission-critical systems and have testing well underway by December 31, 1998. We will want assurances that banks that purchase all their software or contract out their processing operations perform appropriate due-diligence reviews to make certain their suppliers are Year 2000 compliant.

The OCC is particularly concerned that banks have comprehensive plans and a clear commitment to meet Year 2000 goals. Special attention will be focused on whether senior management and the board of directors are fully engaged in the planning and monitoring of Year 2000 conversion efforts.



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For further information on Year 2000 issues, contact the Bank Technology unit at (202) 874-2340.

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[Attachments](#)